

**EUNICE STUDENT HOUSING  
FOUNDATION, INC.**

Eunice, Louisiana

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2003 and 2002

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(A Corporation of Certified Public Accountants)

## Independent Accountant's Report

The Board of Directors  
Eunice Student Housing Foundation, Inc.  
Eunice, Louisiana

We have audited the accompanying statements of financial position of the Eunice Student Housing Foundation, Inc. (a nonprofit organization), as of August 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Eunice Student Housing Foundation, Inc. as of August 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 2004, on our consideration of Eunice Student Housing Foundation, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

Eugene H. Darnall, CPA, Retired 1990  
Paula D. Bihm, CPA, Deceased 2002

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Our audits were performed for the purpose of forming an opinion on the basic financial statements of Eunice Student Housing Foundation, Inc. taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Darnall, Sikes & Frederick*

A Corporation of Certified Public Accountants

Eunice, Louisiana  
January 14, 2004

EUNICE STUDENT HOUSING FOUNDATION, INC.

Statements of Financial Position  
August 31, 2003 and 2002

	2003	2002
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash	\$ 111,536	\$ 45,030
Rents and fees receivable	146,785	99,823
Interest receivable	8,596	11,083
Cash - restricted	94,597	2,333,652
Investments - restricted for debt service, at fair market value	905,067	665,260
Prepaid expenses	<u>3,862</u>	<u>-</u>
	<u>1,270,443</u>	<u>3,154,848</u>
 <b>PROPERTY AND EQUIPMENT, at cost</b>	 5,294,666	 5,294,666
Less: Accumulated depreciation	<u>(179,508)</u>	<u>-</u>
	<u>5,115,158</u>	<u>5,294,666</u>
 <b>OTHER ASSETS</b>		
Loan costs, net of amortization	<u>254,778</u>	<u>263,566</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 6,640,379</u></u>	 <u><u>\$ 8,713,080</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 12,112	\$ -
Construction payable	-	1,521,874
Accrued interest payable	258,125	321,223
Management fees payable	21,000	-
Deferred rent revenue	130,469	101,584
Security deposits	<u>28,125</u>	<u>21,250</u>
	<u>449,831</u>	<u>1,965,931</u>
 Revenue bonds payable	 7,000,000	 7,000,000
Unamortized discount	<u>(306,751)</u>	<u>(309,050)</u>
	<u>6,693,249</u>	<u>6,690,950</u>
 <b>TOTAL LIABILITIES</b>	 <u>7,143,080</u>	 <u>8,656,881</u>
 <b>NET ASSETS</b>		
Unrestricted	<u>(502,701)</u>	<u>56,199</u>
Total net assets (deficit)	<u>(502,701)</u>	<u>56,199</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 6,640,379</u></u>	 <u><u>\$ 8,713,080</u></u>

See accompanying notes and accountant's report.

EUNICE STUDENT HOUSING FOUNDATION, INC.

Statements of Activities  
Years Ended August 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
SUPPORT AND REVENUE		
Apartment rent	\$ 401,293	\$ 16,216
Fee income	26,252	5,790
Interest income	34,255	-
Appreciation (depreciation) in fair market value of investments	(4,201)	34,178
Miscellaneous	<u>13,164</u>	<u>15</u>
Total support and revenue	470,763	56,199
OPERATING, GENERAL, AND AND ADMINISTRATIVE EXPENSES	<u>1,029,663</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	(558,900)	56,199
NET ASSETS, beginning of the year	<u>56,199</u>	<u>-</u>
NET ASSETS (DEFICIT), end of the year	<u>\$ (502,701)</u>	<u>\$ 56,199</u>

See accompanying notes and accountant's report.

EUNICE STUDENT HOUSING FOUNDATION, INC.

Statements of Cash Flows  
Year Ended August 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (558,900)	\$ 56,199
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	190,592	-
Unrealized (appreciation) depreciation of investments	4,201	(34,178)
Increase in rent and fees receivable	(46,962)	(99,823)
Increase (decrease) in interest receivable	2,487	(11,083)
Increase in prepaid expenses	(3,862)	-
Increase in accounts payable	12,115	-
Decrease in interest payable	(63,098)	-
Increase in management fees payable	21,000	-
Increase in deferred rent revenue	28,885	101,584
Increase in security deposits payable	<u>6,875</u>	<u>21,250</u>
Net cash provided (used) by operating activities	<u>(406,667)</u>	<u>33,949</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Construction of Bengal Village	(1,521,874)	(3,715,135)
Purchase of interest bearing deposits	<u>-</u>	<u>(616,537)</u>
Net cash used by investing activities	<u>(1,521,874)</u>	<u>(4,331,672)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from sale of revenue bonds	<u>-</u>	<u>6,690,950</u>
Net cash provided by financing activities	<u>-</u>	<u>6,690,950</u>
Net increase (decrease) in cash and cash equivalents	(1,928,541)	2,393,227
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,393,227</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 464,686</u>	<u>\$ 2,393,227</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
Cash and cash equivalents, beginning of year	<u>\$ 2,393,227</u>	<u>\$ -</u>
Cash and cash equivalents, end of year		
Cash	111,536	45,030
Cash - restricted	94,597	2,333,652
Investments	905,067	665,260
Less: Interest-bearing deposits with a maturity over three months	<u>(646,514)</u>	<u>(650,715)</u>
Total cash and cash equivalents	<u>\$ 464,686</u>	<u>\$ 2,393,227</u>
<b>SUPPLEMENTAL DATA</b>		
Interest paid	<u>\$ 579,347</u>	<u>\$ -</u>

See accompanying notes and accountant's report.

# EUNICE STUDENT HOUSING FOUNDATION, INC.

## Notes to Financial Statements

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Operations

The Eunice Student Housing Foundation, Inc. (The Foundation) is a not-for-profit organization as outlined in the Internal Revenue Code Section 501(c)(3). The Foundation provides student housing on the campus of Louisiana State University at Eunice, Louisiana known as Bengal Village. The Bengal Village apartment complex consists of 58 units and is managed by Century Development Housing Management, L.P. (Century). The management agreement commenced August 1, 2002 for a term of 15 years through July 31, 2017. Thereafter, the agreement shall be automatically renewed for one-year periods unless terminated. All personnel employed in the leasing, management, maintenance and operation of Bengal Village are the employees of Century.

#### Reporting Entity

The Louisiana State University System has the ability to impose its will on the Eunice Student Housing Foundation ("Foundation") and therefore the Foundation is a component unit of the Louisiana State University System. The audited financial statements of the Eunice Student Housing Foundation will be included in the basic financial statements of the Louisiana State University System, a component unit of the State of Louisiana, and in the basic financial statements of the Louisiana State University at Eunice for the year ended June 30, 2004. The accompanying financial statements present information only on the funds maintained by the Eunice Student Housing Foundation.

#### Basis of Accounting

Assets, liabilities, revenues, and expenses are recorded on the accrual basis of accounting in accordance with generally accepted accounting principles.

#### Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

#### Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Foundation has not received any contributions with donor-imposed restrictions that would result in temporarily restricted net assets.



EUNICE STUDENT HOUSING FOUNDATION, INC.

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation

Depreciation is calculated over the estimated useful lives of the respective assets using the straight-line method.

Maintenance, Capitalization, and Disposal Policies

Repairs and maintenance are expensed as incurred. Expenditures incurred in the construction or that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

Statement of Cash Flows

For the purpose of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid interest-bearing deposits with a maturity of three months or less when purchased.

Use of Estimates

Preparation of The Foundation's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

The \$34,178 of Temporarily Restricted Net Assets on the Statement of Financial Position for the year ended August 31, 2002 has been reclassified as unrestricted and loan costs have been reclassified as Other Assets. There is no change to the 2002 Statement of Activities.

NOTE 2 TAX STATUS

The Foundation operates as a not-for-profit organization. It is accorded tax-exempt status under the Internal Revenue Code Section 501(c)(3). Accordingly, no provision is required for income taxes.

The Foundation is not a private foundation as determined under Section 509(a) of the Internal Revenue Code.

# EUNICE STUDENT HOUSING FOUNDATION, INC.

## Notes to Financial Statements

### NOTE 3 CASH AND CASH EQUIVALENTS

	<u>2003</u>	<u>2002</u>
Unrestricted:		
Petty cash	\$ 300	\$ -
J. P. Morgan Chase - operating	(2,653)	19,015
St. Landry Bank - security deposits	34,194	21,250
St. Landry Bank - rental deposits	1,083	4,765
Bank of New York Trust Co. of Florida:		
Operating expense	16,302	-
Security deposits	<u>62,310</u>	<u>-</u>
Total unrestricted cash	<u>111,536</u>	<u>45,030</u>
Restricted:		
Bank of New York Trust Co. of Florida:		
Capital Interest Fund	-	739,268
Capital reserve	17,422	-
Issuance Expense Fund	-	712
Construction Account Fund	-	1,593,672
Principal Account	<u>77,175</u>	<u>-</u>
	<u>94,597</u>	<u>2,333,652</u>
Investments:		
Bank of New York Trust Co. of Florida:		
Debt Service Trust Fund-US Treasury Notes	646,514	650,715
(Cost of \$611,000)		
Debt Service Trust Fund-Fidelity US Treasury	<u>258,553</u>	<u>14,545</u>
	<u>905,067</u>	<u>665,260</u>
Total restricted cash	<u>999,664</u>	<u>2,998,912</u>
Total cash and cash equivalents	<u>\$ 1,111,200</u>	<u>\$ 3,043,942</u>

### NOTE 4 LOAN COSTS

Loan costs are being amortized over 30 years. Accumulated amortization is \$8,785 at August 31, 2003 and \$0 at August 31, 2002.

### NOTE 5 NET DEFICIT

The year ending August 31, 2003 was the first full year of rental activity for Bengal Village. Management has begun to address the deficit of \$502,701 by instituting procedures to minimize bad debts, rental charges have been increased and management is focused on increasing the occupancy rate as a means of increasing revenues.

EUNICE STUDENT HOUSING FOUNDATION, INC.

Notes to Financial Statements

NOTE 6 PROPERTY AND EQUIPMENT

<u>Category</u>	<u>Cost</u>	<u>Estimated Useful Lives</u>
Building	\$ 4,361,642	40 years
Streets, sidewalks and pool	352,064	40 years
Fences, gates & signs	109,255	15 years
Interior fixtures	47,931	5 years
Furniture & lighting	321,890	10 years
Office equipment	24,178	5 years
Equipment	<u>77,706</u>	10 years
Total depreciable assets	5,294,666	
Less: Accumulated depreciation	<u>(179,508)</u>	
Net depreciable assets	<u>\$ 5,115,158</u>	

NOTE 7 LONG TERM DEBT

	<u>2003</u>	<u>2002</u>
Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds Services 2002, issued January 1, 2002, at a coupon rate of 7.375%, principal payments begin September, 2005 with final payment due September, 2033. Proceeds of bond utilized for construction, improvement and equipping student housing at LSUE.	<u>\$ 7,000,000</u>	<u>\$ 7,000,000</u>
Less current maturities	<u>-</u>	<u>-</u>
	<u>\$ 7,000,000</u>	<u>\$ 7,000,000</u>

Principal payments on the above notes are as follows:

<u>Fiscal Year Ending August 31,</u>	
2004	\$ -
2005	-
2006	15,000
2007	30,000
2008	50,000
Thereafter	<u>6,905,000</u>
Total principal payments	<u>\$ 7,000,000</u>

## **INTERNAL CONTROL AND COMPLIANCE**



(A Corporation of Certified Public Accountants)

Independent Auditor's Report on Compliance and  
On Internal Control over Financial  
Reporting Based on an Audit of  
Financial Statements Performed in  
Accordance with *Government Auditing Standards*

The Board of Directors  
Eunice Student Housing Foundation, Inc.  
Eunice, Louisiana

We have audited the financial statements of Eunice Student Housing Foundation, Inc. (a nonprofit organization), as of and for the year ended August 31, 2003, and have issued our report thereon dated January 14, 2004. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Eunice Student Housing Foundation, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eunice Student Housing Foundation, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Eugene H. Darnall, CPA, Retired 1990  
Paula D. Bihm, CPA, Deceased 2002

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This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specific parties.

*Dannall, Sikes & Frederick*

A Corporation of Certified Public Accountants

Eunice, Louisiana

January 14, 2004

EUNICE STUDENT HOUSING FOUNDATION, INC.

Summary of Prior Year Findings  
Year Ended August 31, 2003

02-1 Finding: Violation of state law

The prior year audit was not completed with six months of the close of the fiscal year.

Status: The current year audit has been completed in accordance with state law.

EUNICE STUDENT HOUSING FOUNDATION, INC.

Schedule of Findings and Questioned Costs  
Year Ended August 31, 2003

Part 1 Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unqualified opinion has been issued on Eunice Student Housing Foundation, Inc.'s financial statements as of and for the year ended August 31, 2003.

Reportable Conditions - Financial Reporting

There were no reportable conditions in internal control over financial reporting disclosed during the audit of the financial statements.

Material Noncompliance-Financial Reporting

There were no instances of noncompliance material to the financial statements disclosed during the audit of the financial statements.

Part 2 Findings Relating to an Audit in Accordance with *Government Auditing Standards*

This section is not applicable.

Part 3 Findings and Questioned Costs Relating to Federal Programs

This section is not applicable.



## **ADDITIONAL INFORMATION**

EUNICE STUDENT HOUSING FOUNDATION, INC.

Schedules of Operating, General and Administrative Expenses  
Years Ended September 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Advertising	\$ 3,531	\$ -
Amortization expense	8,785	-
Bad debt expense	41,458	-
Contract services	14,541	-
Depreciation expense	179,508	-
Employee benefit	240	-
Insurance	84,835	-
Interest expense	518,549	-
Management fee	42,000	-
Meals and entertainment	381	-
Miscellaneous	733	-
Payroll taxes	5,126	-
Postage	2,041	-
Repair and maintenance	1,306	-
Salaries	63,978	-
Supplies	1,921	-
Telephone	8,281	-
Training	888	-
Travel	1,332	-
Trustee Fee	1,938	-
Uniform	393	-
Utility	47,898	-
	<u>\$ 1,029,663</u>	<u>\$ -</u>

See independent auditor's report on additional information.